



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
ALLEN COUNTY  
SHERIFF'S SETTLEMENT - 1998 TAXES**

**April 17, 1999**

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## Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor  
John P. McCarty, Secretary  
Finance and Administration Cabinet  
Mike Haydon, Secretary, Revenue Cabinet  
Honorable Johnny Hobdy, Allen County Judge/Executive  
Honorable Bill Foster, Allen County Sheriff  
Members of the Allen County Fiscal Court

### Independent Auditor's Report

We have audited the Allen County Sheriff's Settlement - 1998 Taxes as of April 17, 1999. This tax settlement is the responsibility of the Allen County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Allen County Sheriff's taxes charged, credited, and paid as of April 17, 1999, in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
John P. McCarty, Secretary  
Finance and Administration Cabinet  
Mike Haydon, Secretary, Revenue Cabinet  
Honorable Johnny Hobdy, Allen County Judge/Executive  
Honorable Bill Foster, Allen County Sheriff  
Members of the Allen County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated March 1, 2000, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
March 1, 2000

ALLEN COUNTY  
BILL FOSTER, SHERIFF  
SHERIFF'S SETTLEMENT - 1998 TAXES

April 17, 1999

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Transferred from Outgoing Sheriff	\$ 51,761	\$ 103,789	\$ 273,869	\$ 87,417
Franchise Corporation Taxes	8,536	17,802	45,325	
Increased Through Erroneous Assessments	127	255	676	197
Penalties	3,768	7,550	19,938	6,069
Gross Chargeable to Sheriff	<u>\$ 64,192</u>	<u>\$ 129,396</u>	<u>\$ 339,808</u>	<u>\$ 93,683</u>
<u>Credits</u>				
Exonerations	\$ 208	\$ 417	\$ 1,104	\$ 321
Delinquents:				
Real Estate	5,323	10,660	28,248	8,217
Tangible Personal Property	499	1,142	2,649	2,792
Intangible Personal Property				2,683
Uncollected Franchise Corporation Taxes	<u>1,480</u>	<u>3,325</u>	<u>7,838</u>	
Total Credits	<u>\$ 7,510</u>	<u>\$ 15,544</u>	<u>\$ 39,839</u>	<u>\$ 14,013</u>
Net Tax Yield	\$ 56,682	\$ 113,852	\$ 299,969	\$ 79,670
Less: Commissions *	<u>2,409</u>	<u>4,716</u>	<u>8,999</u>	<u>3,386</u>
Net Taxes Due	\$ 54,273	\$ 109,136	\$ 290,970	\$ 76,284
Taxes Paid	53,870	108,344	288,818	75,739
Refund Received By Sheriff				109
Refunds (Current and Prior Year)	<u>423</u>	<u>837</u>	<u>2,235</u>	<u>654</u>
Refunds Due Sheriff		**		
as of Completion of Fieldwork	<u><u>\$ (20)</u></u>	<u><u>\$ (45)</u></u>	<u><u>\$ (83)</u></u>	<u><u>\$</u></u>

\* and \*\* See Page 3

ALLEN COUNTY  
BILL FOSTER, SHERIFF  
SHERIFF'S SETTLEMENT - 1998 TAXES  
April 17, 1999  
(Continued)

\* Commissions:

4.25% on	\$	201,160
4% on	\$	49,044
3% on	\$	299,969

\*\* Special Taxing Districts:

Library District	\$	(9)
Health District		(8)
Extension District		(5)
Soil Conservation District		(6)
Ambulance District		(17)

Refunds Due Sheriff	\$	(45)
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The accompanying notes are an integral part of the financial statement.



ALLEN COUNTY  
NOTES TO FINANCIAL STATEMENT

April 17, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of April 17, 1999, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond(s) which named the Sheriff as beneficiary/obligee on the bond(s).

ALLEN COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 April 17, 1999  
 (Continued)

Note 2. Deposits (Continued)

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of April 17, 1999.

	<u>Bank Balance</u>
Collateralized with securities held by the county official's agent in the county official's name	<u>\$ 5,610</u>
Total	<u><u>\$ 5,610</u></u>

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1998. Property taxes were billed to finance governmental services for the year ended June 30, 1999. Liens are effective when the tax bills become delinquent. The collection period for these assessments was January 1, 1999 through April 17, 1999.

Note 4. Interest Income

The Allen County Sheriff earned \$1,165 as interest income on 1998 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Honorable Johnny Hobdy, Allen County Judge/Executive  
Honorable Bill Foster, Allen County Sheriff  
Members of the Allen County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Allen County Sheriff's Settlement - 1998 Taxes as of April 17, 1999, and have issued our report thereon dated March 1, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Allen County Sheriff's Settlement - 1998 Taxes as of April 17, 1999 is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Allen County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable Johnny Hobby, Allen County Judge/Executive  
Honorable Bill Foster, Allen County Sheriff  
Members of the Allen County Fiscal Court  
Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

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Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
March 1, 2000

